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## Egypt

### Trade Policy Monitoring

### Trade Policy

### 2008

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**Report Highlights:**

In recent years, import requirements and procedures have become much more transparent and predictable, reducing trade disruptions. After Egypt unveiled a new schedule of reduced tariffs, in February 2007, in fulfillment of WTO commitments, significant progress has been made this year removing import barriers for some important U.S. agriculture products; others remain.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Cairo [EG1]  
[EG]

## Section I: Executive Summary

In recent years, the Government of Egypt (GOE) has made great strides in reducing the time required for customs clearance, has reduced bureaucratic hurdles, has made greater efforts to notify and allow for comment on trade policy changes, and has taken a more scientific approach to establishing SPS requirements. With the support of USAID, GOE has improved the testing capabilities of the laboratories of the General Organization for Export and Import Control (GOEIC), whose mission is to expedite trade. In addition, the capacity of specialists and their laboratories has improved, reducing unnecessary delays while imported products are held for testing. Furthermore, in February 2007, GOE made reductions in import duties, in compliance with their WTO commitments. Among the reductions important to U.S. interests were those for fresh fruit, which dropped from 40 to 20 percent. Most of the U.S.'s important exports to Egypt are now eligible to enter at duties of 5 percent or lower. Of the \$1.8 billion in agriculture products shipped to Egypt in 2007, up to 80 percent were eligible for duty free entry as a result of the tariff changes.

Although significant barriers to U.S. products remain, there has been significant progress in the past six months. In a move designed to increase the volume of beef liver and other offal imports, Egypt's veterinary authorities announced that the country would accept beef offals from animals originating in Canada and Mexico, thus facilitating shipments from U.S. plants that previously had to insure that animals for slaughter were of U.S. origin only. Also, Egypt has agreed to once again allow the import of poultry byproduct meal, which had been banned for several years due to concerns about Avian Influenza in the U.S. and also possible contamination of the product by rendered beef products at risk of harboring BSE, according to Egyptian veterinary authorities. Finally, the trade in live cattle has been restored, after a new protocol for testing for bovine leucosis has been agreed upon, which will allow the first shipment of live dairy cattle to come to Egypt in some time. A ban on pet food containing beef animal byproducts remains, however. And requirements for Halal certification also completely prevent poultry trade at this time, although encouraging steps are being taken to address this barrier. Nor has the GOE lifted its ban on imports of poultry parts. Also, listed tariffs on imported wine at a level of 1800 percent (3000 for sparkling wine) continue to be outrageous and are obviously designed to protect the domestic monopoly.

**Rice export ban:** Following the sharp increase in rough rice prices in recent months, the Minister of Industry and Trade last week decided to halt rice exports for six months, beginning April 1<sup>st</sup>, 2008. (See GAIN Report EG8006.) Subsequently the ban was extended to April 2009, although there are rumors that the ban will be lifted as early as September 2008, in time for traders to export part of this year's crop. The stated aim of the ban was to combat rising rice prices at home. Rice prices did drop for a few weeks after the announcement of the ban in March 2008, but prices are now back where they had been. The reason behind this is that the ban was announced after most export contracts had been fulfilled, and there was not much rice left in the country.

## Section II: Trade Barriers

### A. Trade Barriers Table

| Product       | Trade Barrier   | Description                 | Status  | Trade Value  | FAS Contact |
|---------------|-----------------|-----------------------------|---------|--------------|-------------|
| Pet Food      | Disease Concern | Ruminant-Free Certification | Ongoing | \$3 million  | AgCairo     |
| Chicken Parts | Ban             | Not issuing import licenses | Ongoing | \$20 million | AgCairo     |

|        |              |                  |         |             |         |
|--------|--------------|------------------|---------|-------------|---------|
| Cotton | Pest Concern | Boll-Weevil Free | Ongoing | \$1 million | AgCairo |
|--------|--------------|------------------|---------|-------------|---------|

## B. Background

1. Live Cattle: In June 2001, Egypt lifted its ban on US dairy cattle imports following extensive negotiations between USDA and the General Organization for Veterinary Services (GOVS). However, the veterinary authorities imposed a 90-day quarantine requirement on cattle imports from the U.S. because of Bovine Leucosis (BL) concerns. Egypt's dairy herd has been decimated by disease in the past two years, and local dairy producers are eager to import U.S. dairy heifers. GOE had recently approved live cattle imports from Canada, so BSE was no longer a stumbling block to resuming trade, only BL. Post has now been able to work with the U.S. and Egyptian trade, who have worked to assist GOVS and APHIS in negotiating a new protocol.

2. Poultry By-Products: Due to concerns related to Avian Influenza (AI), in November 2005, GOE banned imports of all poultry products. Then in July 2006, GOE partially rescinded this ban, allowing for imports of whole broilers, and day old chicks, but left the ban on poultry by-product imports. Despite overwhelming scientific proof that the rendering process destroys the AI virus (a fact that Ministry of Agriculture officials conceded), GOE stated that due to the ongoing presence of AI in Egypt, the ban on poultry by-products could not be removed. GOVS was also concerned that poultry by-products might be contaminated by ruminant material containing BSE. Post coordinated with the National Renderers Association to press this issue and arranged a visit of senior Ministry of Agriculture officials to the U.S. in June 2008 in an attempt to address the AI and BSE concerns. Subsequently the ban has been removed.

3. Pet Food: Egypt only allows pet food imports that are certified to be free of ruminant material. Egypt's importers are having difficulties in obtaining U.S. supplies that can conform to this requirement.

4. Chicken Parts: While ostensibly due to concerns over Halal certification, imports of U.S. poultry parts are banned. The ban is in fact in place to protect local producers. As stated above, whole broilers were again allowed to be imported in July 2006 at zero duty. However, as the U.S. is not generally competitive in whole broilers, only trade in Brazilian product has occurred. Furthermore, the requirement that GOE officials "review" for Halal all shipments at processing plants further erodes opportunities for U.S. whole broiler exports to Egypt. Post is presently working to send a team of Egyptian vets to visit a poultry facility in the U.S. and meet with APHIS to resolve the Halal issue. An Egyptian importer will import a shipment of whole frozen broilers from the U.S. if the outcome of this visit to the U.S. is favorable, as expected.

5. Beef Livers: U.S. meat packers, and Egyptian importers, are anxious to expand the substantial trade in beef livers, which serve as an inexpensive source of protein for Egyptian consumers. This was not possible as long as beef slaughter plants had to ship livers from U.S.-origin animals only; Egyptian veterinary authorities were willing to accept livers from Canadian origin animals, but the U.S. side indicated that live cattle from Mexico also entered the U.S., and Egypt did not recognize Mexico as an approved source for beef or offals. Post was able to clarify that under OIE rules, Mexico was not at risk for BSE, and so GOVS agreed that the export certificate could indicate that the livers were from U.S. origin or Canadian or Mexican origin animals.

5. Cotton: Despite evidence that the ginning process destroys the pest, GOE will only allow U.S. cotton imports from areas certified free from boll-weevil.

### Section III: Agreement Compliance

#### A. Market Access

**Tariffs:** In compliance with its WTO commitments, in February 2007, GOE issued a decree announcing a new tariff schedule, including lower duties on a number of agriculture commodities. With the exception of alcoholic beverages, all of Egypt's standing duties are well below WTO bound rates. The most important U.S. agriculture exports (corn, wheat, soybeans, beef livers, milk powder, corn gluten meal) now are eligible for entry at 5 percent or less.

The decree and the complete tariff schedule is available at:  
[http://www.customs.gov.eg/customs\\_tariff/customstable\\_tariff.html](http://www.customs.gov.eg/customs_tariff/customstable_tariff.html)

**Tariff-Rate Quotas:** No TRQs that affect agriculture trade.

**SPS and TBT Commitments:** No SPS measures or technical regulations/standards affecting U.S. agriculture that could be reasonably interpreted as a violation of WTO/SPS/TBT commitments.

#### B. Export Subsidies

No Export Subsidies to report.

#### C. Domestic Support

Subsidies on agricultural production are modest and well below levels allowed under WTO commitments; thus Egypt has no requirement to reduce any of its subsidies. The government still maintains price controls on a number of agricultural commodities including wheat and sugar cane. For wheat, the General Authority for Supply of Commodities (GASC) is the central buying authority for all wheat imports and domestic procurement. To keep pace with the higher international prices, the guaranteed buy-in price that GASC pays farmers was increased to about \$466/ton for the current harvest season (which began in May), more than double the previous crop year. Nonetheless, any increase will be insignificant relative to Egypt's annual wheat import needs, which are more than 7 million tons per year. While several large projects exist where new land is being brought into production, Egypt lacks the productive land and water resources necessary to put much of a dent in their import requirements. (See GAIN Report EG8010.)

GOE also maintains a procurement program for sugar cane delivered to Sugar and Integrated Industries Company "SIIC." Farmers receive 60 percent of funds when they deliver their cane to the mill, and the remaining 40 percent is paid out to them at the end of the season. This program makes growing sugar one of the most lucrative farming options for farmers in Upper Egypt. GOE also buys sugar beets.

### Section IV: Other Bilateral Agreements and Agreements with the United States

| Products Covered | Date of Agreement | Summary of Agreement | Status   |
|------------------|-------------------|----------------------|----------|
| Industrial Goods | December 2004     | See below            | In force |

The above agreement refers to the the Qualified Industrial Zone (QIZ) Agreement between the United States, Egypt and Israel. This agreement allows duty free access for

manufactured goods, including textiles, produced in certain qualified industrial zones and meeting the rules of origin requirements of the agreement. The agreement states that 35 percent of any product must be produced in one of the QIZs, and at least 11.7 percent of the 35 percent requirement will come from Israel and Egypt.

Complete details on the QIZ agreement are available at:

<http://www.qizegypt.gov.eg/www/english/index.asp>

Egypt also has separate trade agreements with several Arab countries and an EU-Egypt partnership agreement. Details on these agreements, as well as other less formal bilateral arrangements are available at: